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FM AMCONSUL JEDDAH  
TO SECSTATE WASHDC 9978  
INFO AMEMBASSY RIYADH  
AMEMBASSY KUWAIT  
AMEMBASSY MANAMA  
AMEMBASSY DOHA  
AMEMBASSY ABU DHABI  
AMEMBASSY MUSCAT  
AMCONSUL DHAHRAN

C O N F I D E N T I A L SECTION 01 OF 03 JEDDAH 01892

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SUBJECT: JEDDAH'S MERCHANT ELITE: THE ALIREZAS

11. CONFIDENTIAL ENTIRE TEXT

12. SUMMARY AND INTRODUCTION: THE ALIREZAS ARE JEDDAH'S FIRST FAMILY AND AMONG THE MERCHANT ELITE THEY ARE CLEARLY PRIMA INTRA PARAS. AT PUBLIC RECEPTIONS SENIOR ALIREZAS ARE DEFERRED TO BY ALL BUT THE AL-SAUD. WHILE PROBABLY NOT THE OLDEST OR RICHEST FAMILY IN JEDDAH, THEIR LINEAGE, REPUTATION, CONNECTIONS AND TRADITION OF PUBLIC SERVICE GIVE THEM A UNIQUE PLACE IN JEDDAH'S SOCIAL AND ECONOMIC LIFE. THIS POSITION WAS ACQUIRED OVER THE PAST 150 YEARS THROUGH A SERIES OF ASTUTE ECONOMIC AND POLITICAL MOVES. THIS CABLE, WHICH DESCRIBES SOME OF THESE MOVES, IS BASED ON NUMEROUS CONVERSATIONS WITH FAMILY MEMBERS INCLUDING A TWO HOUR MEETING WITH THE CURRENT HEAD OF THE FAMILY SHAIKH AHMED YUSSEF ZAINAL ALIREZA. A SECOND CABLE WILL FOCUS ON THE STRUCTURE OF THE FAMILY'S COMMERCIAL ACTIVITIES. END SUMMARY AND INTRODUCTION.

13. THE ALIREZAS PROUDLY, IF SOMEWHAT UNBELIEVABLY, CLAIM DESCENT FROM ONE OF ISLAM'S GREAT HEROS AMR IBN AL-ASS. AMR WAS A MECCAN NOTABLE WHO BACKED THE PROPHET MOHAMMAD, LED ONE OF THE FIRST MUSLIM ARMIES INTO SYRIA IN 633 AND IN 639 DIRECTED THE ARAB CONQUEST OF EGYPT WHERE HE REMAINED AS GOVERNOR FOR NEARLY 30 YEARS. IN THE 8TH CENTURY ONE OF HIS DESCENDANTS MIGRATED TO WESTERN IRAN - WHERE THE ALIREZAS REMAINED UNTIL ZAINAL ALIREZA RETURNED TO JEDDAH IN THE 1840. ZAINAL, WHO WAS ONLY 12 YEARS OLD AT THE TIME, WAS TAKEN IN BY THE ZAHID FAMILY WHO HAD ALSO MIGRATED FROM IRAN. YOUNG ZAINAL WENT TO WORK IN THE ZAHID TOBACCO AND CARPET IMPORTING BUSINESS. AFTER SEVERAL YEARS, HE BEGAN TO IMPORT CLOTH AND FOODSTUFFS ON HIS OWN AND MARRIED ONE OF THE ZAHIDS, THUS BEGINING A TRADITION OF COOPERATION BETWEEN THE FAMILIES WHICH CONTINUES TO THIS DAY.

14. ZAINAL WAS THE SECOND OF FOUR SONS AND BY 1860 HE WAS DOING WELL ENOUGH TO BRING HIS YOUNGER BROTHERS, ABDULLAH AND HUSSEIN, TO JEDDAH. HE WAS SOME 20-25 YEARS OLDER THAN HIS BROTHERS AND TREATED THEM AS SONS. IN 1880 ZAINAL SENT ABDULLAH TO OPEN AN OFFICE IN INDIA SO THE FIRM COULD PURCHASE COMMODITIES DIRECTLY FROM PRODUCERS. THIS WAS THE FIRST OF SEVERAL MOVES WHICH BEGAN TO SEPARATE THE ALIREZAS FROM OTHER JEDDAH MERCHANTS. EVENTUALLY, THEY HAD PURCHASING OFFICES IN BOMBAY, CALCUTTA AND KARACHI. EXPERIENCE IN BRITISH INDIA GAVE THEM VALUABLE EXPOSURE TO THE ENGLISH LANGUAGE AND MODERN BUSINESS PRACTICES WHICH THEIR COMPETITORS LACKED. IN 1893 THE FIRM SIGNED ITS FIRST FOREIGN CONTRACT AND BECAME AGENTS FOR THE BRITISH MOGUL LINE WHICH HAD A MONOPOLY ON SUBCONTINENT HAJJ TRAFFIC. IN ADDITION TO MAKING THE FAMILY ITS FIRST REAL FORTUNE, THIS CONTRACT MOVED THEM FROM THE ROLE OF TRADITIONAL MERCHANT TO THAT OF SPONSOR FOR FOREIGN FIRMS.

15. ZAINAL RETIRED IN 1905 AND LIVED ON UNTIL 1927. ABDULLAH RETURNED FROM INDIA TO MANAGE THE FIRM WHILE ZAINAL'S SONS KASSEM, MOHAMMAD ALI AND YUSSEF REMAINED IN INDIA. BACK IN JEDDAH ABDULLAH BECAME PRESIDENT OF THE OTTOMAN TOWN COUNCIL. AFTER THE FIRST WORLD WAR, SHARIF

HUSSEIN OF MECCA APPOINTED ABDULLAH GOVERNOR OF JEDDAH. IN 1924 WHEN THE FORCES OF ABDULAZIZ AL-SAUD BESIEGED JEDDAH, ABDULLAH HELPED PERSUADE SHARIF HUSSEIN TO ABDICATE IN FAVOR OF HIS SON ALI. WHEN THE SITUATION CONTINUED TO DETERIORATE, THE LAST HASHIMITE SHARIF FLED TO CYPRUS AND ABDULLAH ALIREZA SURRENDERED JEDDAH TO THE AL-SAUD. SEEKING TO REASSURE HIS NEW SUBJECTS THAT JEDDAH'S SOCIAL AND ECONOMIC ORDER WOULD NOT BE OVERTURNED, KING ABDULAZIZ ASKED ABDULLAH ALIREZA TO STAY ON AS GOVERNOR. SINCE THE HASHIMITES HAD TAKEN THEIR TREASURY WITH THEM, ABDULLAH ALSO LENT THE KING 6,000 POUNDS TO MAINTAIN HIS GOVERNMENT IN THE HIJAZ. THE FAMILY EMERGED FROM THIS EPISODE WITH ITS PRESTIGE ENHANCED AND A NEW ROLE TO PLAY AS ADVISORS AND FINANCIERS TO KING ABDULAZIZ.

16. WHEN ABDULLAH DIED IN 1932, MANAGEMENT OF THE FIRM REVERTED TO THE SONS OF ZAINAL. KASSEM HAD BEEN ACTIVE IN OTTOMAN REFORM POLITICS AND HAD REPRESENTED JEDDAH AT THE OTTOMAN PARLIAMENT IN 1908. HE MARRIED A TURKISH WOMAN AND DIED IN ISTAMBUL IN 1927. MOHAMMAD ALI IS REMEMBERED FOR ESTABLISHING JEDDAH'S FIRST MODERN SCHOOL IN 1903. KNOWN AS THE FALLAH SCHOOL, IT WAS INSTRUMENTAL IN MAKING ARABIC, RATHER THAN TURKISH, THE LANGUAGE OF INSTRUCTION. MOHAMMAD ALI FINANCED HIS SCHOOL AND OTHERS LIKE IT IN MECCA, BAHRAIN, DUBAI AND BOMBAY WITH PROFITS FROM THE PEARL AND JEWELRY BUSINESS HE ESTABLISHED. SINCE MOHAMMAD ALI SPENT MOST OF HIS TIME IN PARIS AND BOMBAY, MANAGEMENT OF THE FAMILY'S JEDDAH BUSINESS FELL TO YUSSEF ZAINAL ALIREZA WHO WAS BY THIS TIME NEARLY 50.

17. WHEN YUSSEF DIED, ABDULLAH'S SONS MOHAMMAD AND ALI TOOK OVER THE FIRM. MOHAMMAD WAS EDUCATED IN INDIA. ALI WENT TO BERKELEY IN 1940 AND BECAME ONE OF THE FIRST SAUDIS TO STUDY IN AMERICA AND RETURN WITH AN AMERICAN WIFE. DURING THE 40S AND FIFTIES THE TWO BROTHERS AGAIN DEMONSTRATED THE FAMILY'S ABILITY TO SPOT OPPORTUNITIES AND CAPITALIZE ON THEIR FOREIGN EDUCATION. THE ALIREZAS BECAME THE SAUDI REPRESENTATIVES FOR WESTINGHOUSE, GOODYEAR, PEPSI, FORD AND FOR A WHILE GM. THEY EVENTUALLY SOLD THE GM DEALERSHIP TO THE ZAHIDS.

18. MOHAMMAD ABDULLAH AND ALI ABDULLAH WORKED CLOSELY WITH PRINCE FAISAL WHILE HE WAS VICEROY TO THE HIJAZ AND LATER FOREIGN MINISTER. ALI BECAME A MINISTER OF STATE WITHOUT PORTFOLIO AND EVENTUALLY SAUDI AMBASSADOR TO WASHINGTON. MOHAMMAD MOVED FROM PRESIDENT OF THE JEDDAH CHAMBER OF COMMERCE TO MINISTER OF COMMERCE. AFTER FINANCE MINISTER ABDULLAH SULIMAN, HE WAS THE SECOND COMMONER TO EVER HOLD CABINET RANK IN SAUDI ARABIA. MOHAMMAD LEFT THE CABINET BECAUSE OF PROBLEMS WITH KING ABDULAZIZ'S YOUNGER BROTHER ABDULLAH BIN ABDULRAHMAN WHO WAS A POWER AT COURT DURING THE REIGN OF KING SAUD.

19. DESPITE HIS PROBLEMS WITH "UNCLE ABBY", MOHAMMAD ABDULLAH ALIREZA REMAINED THE LEADER OF JEDDAH'S MERCHANTS AND A STRONG SUPPORTER OF THE AL-SAUD WHEN THEY WERE THREATENED BY NASSERISM. IN THE EARLY 60S EGYPTIAN PLANES WERE BOMBING SOUTHERN SAUDI ARABIA FROM BASES IN YEMEN AND DROPPING ARMS TO TRIBAL DISSIDENTS NORTH OF JEDDAH. CAIRO'S VOICE OF THE ARABS WAS CALLING FOR A POPULAR UPRISING AGAINST THE AL-SAUD. MOHAMMAD ALIREZA COUNTERED THIS PROPAGANDA BY ORGANIZING A MAHRAJAN - THE TRADITIONAL GATHERING OF THE TRIBES TO SWEAR LOYALTY TO A LEADER. DURING THIS LARGE DEMONSTRATION HELD IN DOWNTOWN JEDDAH MOHAMMAD ABDULLAH ALIREZA REPEATED HIS FATHER'S GESTURE BY HANDING PRINCE FAISAL A GOLD KEY TO THE CITY.

110. THIS WAS ALSO A PERIOD OF INTERNAL TENSION WITHIN SAUDI ARABIA AS FORCES GATHERED AROUND EITHER KING SAUD OR PRINCE FAISAL. IT WAS SIGNIFICANT THAT FAISAL GOT THE KEY TO JEDDAH, SOMETHING HE DID NOT FORGET AFTER SAUD WAS FORCED TO ABDICATE. FURTHERMORE, WHEN FAISAL BECAME KING HE DECIDED TO MEET THE CHALLENGE OF NASSERISM HEAD ON. HE BEGAN TO CREATE THE FIRST MODERN SAUDI ARMY. HE CALLED FOR AN ISLAMIC CONFERENCE WHICH WAS INTENDED TO CONFRONT ARAB NATIONALISM WITH ISLAM AND WHICH EVENTUALLY LED TO THE ESTABLISHMENT OF THE ORGANIZATION OF THE

ISLAMIC CONFERENCE. HE FUNDED THE ISLAMIC DEVELOPMENT BANK AND HE SENT MOHAMMAD ABDULLAH ALIREZA TO CAIRO AS HIS AMBASSADOR.

¶11. MOHAMMAD SPENT SEVEN DIFFICULT YEARS IN EGYPT WHERE HE OFTEN FELT THREATENED AND ISOLATED. ACCORDING TO HIS SON, FORMER SAUDI DEPUTY FOREIGN MINISTER ABDULLAH ALIREZA, ONE OF THE FEW OFFICIALS WHO WOULD CALL ON HIS FATHER WAS THE AMERICAN AMBASSADOR LUCIUS BATTLE. NEVERTHELESS, MOHAMMAD MADE PROGRESS IN NORMALIZING SAUDI-EGYPTIAN RELATION, NEGOTIATING THE TREATY OF JEDDAH AND ARRANGING THE WITHDRAWAL OF EGYPTIAN TROOPS FROM YEMEN WHICH THE SAUDIS, NOT SURPRISINGLY, PAID FOR. AS A REWARD FOR HIS LONG SERVICE, MOHAMMAD MOVED ON TO BECOME SAUDI AMBASSADOR TO PARIS WHERE HE HAD SPENT PART OF HIS YOUTH WORKING IN HIS COUSIN MOHAMMAD ALI'S JEWELRY BUSINESS.

¶12. AFTER THE DEATH OF ABDULLAH ALIREZA'S SONS, MANAGEMENT OF THE BUSINESS MOVED ON TO THE GRANDSONS OF ZAINAL. SHAIKH AHMED YUSSEF ZAINAL IS THE CURRENT HEAD OF THE FAMILY. NOW NEARLY 70, AHMED IS ONE OF THE LAST ALIREZAS TO HAVE SPENT MUCH OF HIS YOUTH IN INDIA WHERE AFTER INDEPENDENCE PROHIBITIONS AGAINST FOREIGN OWNERSHIP FORCED THE FAMILY TO LIQUIDATE ITS HOLDINGS. AHMED ALSO MADE FREQUENT VISITS TO JERUSALEM DURING THE THIRTIES WHERE HE WAS INVOLVED IN THE DIAMOND TRADE AND DEVELOPED A DEEP AND OFTEN EXPRESSED CONCERN FOR THE PLIGHT OF THE PALESTINIANS.

¶13. WHILE THE FAMILY'S BUSINESS RELATIONSHIPS HAVE BECOME VARIED AND COMPLEX, ITS ASTUTE COMBINATION OF BUSINESS AND POLITICS HAS REMAINED CONSTANT. LAST FALL AFTER THE INVASION OF KUWAIT, BUT BEFORE OPERATION DESERT STORM, THE ALIREZAS ANNOUNCED PLANS TO BUILD A 200 MILLION DOLLAR SODA ASH PLANT IN SAUDI ARABIA. THIS WAS THEIR FIRST SIGNIFICANT NEW DOMESTIC INVESTMENT IN OVER FIVE YEARS. WHILE THE PROJECT HAD BEEN UNDER CONSIDERATION FOR MONTHS, THE TIMING OF ITS ANNOUNCEMENT WAS INTENDED TO EXPRESS CONFIDENCE IN SAUDI ARABIA'S LEADERSHIP AND FUTURE. THE ALIREZAS' OWN LEADERSHIP AND FUTURE WILL BE DEALT WITH IN A SECOND CABLE.

GRIFFIN